



# FINANCIAL MANAGEMENT

## Challenges in Meeting Requirements of the Improper Payments Information Act

Highlights of [GAO-05-605T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, United States Senate

### Why GAO Did This Study

Improper payments are a longstanding, widespread, and significant problem in the federal government. The Congress enacted the Improper Payments Information Act (IPIA) of 2002 to address this issue. Fiscal year 2004 marked the first year that federal agencies governmentwide were required to report improper payment information under IPIA. One result of the IPIA has been increased visibility over improper payments by requiring federal agencies to identify programs and activities susceptible to improper payments, estimate the amount of their improper payments, and report on the amount of and their actions to reduce their improper payments in their annual Performance and Accountability Reports (PAR).

Because of continued interest in addressing the governmentwide improper payments issue, we continue to report on the progress being made by agencies in complying with certain requirements of the IPIA. My testimony today summarizes the results of our most recent report on agencies' progress in meeting the requirements of the IPIA. Ultimately, the success of this legislation hinges on each agency's diligence and commitment to identifying, estimating, and determining the causes of, then taking corrective actions, and measuring progress in reducing improper payments.

[www.gao.gov/cgi-bin/getrpt?GAO-05-605T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-605T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact McCoy Williams at (202) 512-6906 or [williamsm1@gao.gov](mailto:williamsm1@gao.gov).

### What GAO Found

The Office of Management and Budget (OMB) has continued to provide strong emphasis on IPIA through the President's Management Agenda, and federal agencies' response to fulfilling the requirements of the IPIA has generally been positive. To date, the federal government has made progress in identifying programs susceptible to the risk of improper payments in addressing the new IPIA requirements. At the same time, our review of the fiscal year 2004 PARs for 29 of 35 federal agencies that the U.S. Treasury determined to be significant to the U.S. government's consolidated financial statements, shows that even with the enhanced emphasis on improper payment reporting fueled by the new legislation, certain agencies reported that they have not yet performed risk assessments of all their programs and/or estimated improper payments for their respective programs.

As fully anticipated, the number of agencies reporting improper payment information is growing, but the magnitude of the problem remains unknown, because some agencies have not yet prepared estimates of improper payments for all of their programs. In the 29 agency PARs included in GAO's fiscal year 2004 review, 17 agencies reported over \$45 billion of improper payments in 41 programs. This represented almost a \$10 billion, or 27 percent, increase in the amount of improper payments reported by agencies in fiscal year 2003. This increase was primarily attributable to changes in the method for estimating and reporting improper payment amounts in one major program, Medicare. Future estimates are likely to trend higher because agencies' governmentwide estimate did not report for 12 programs with outlays of \$248.7 billion in fiscal year 2004. These 12 were previously required to annually report improper payments under OMB Circular No. A-11 during the past 3 years. This included some of the largest risk-susceptible federal programs, such as the Department of Health and Human Services' Medicaid Program, with outlays exceeding \$175 billion annually, or the Department of Education's Title I Program, with outlays of over \$10 billion annually.

**Number of Agencies and Amounts of Improper Payments Reported (Fiscal Years 1999-2004)**

Fiscal year	Agencies reporting improper payments <sup>a</sup>	Reported amounts of improper payments (in billions)
1999	8	\$20.7
2000	8	\$19.6
2001	8	\$20.9
2002	7	\$19.5
2003	13	\$35.7
2004	17	\$45.4

Source: GAO.

<sup>a</sup> Other agencies acknowledged making improper payments in their PARs but did not disclose dollar amounts.